

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

PROCEEDING #20-11892

OCTOBER 22, 2020

10:02 A.M.

Docket No. 2020-202-E

DUKE ENERGY CAROLINAS – Application for Authorization Under Article 13, Chapter 27 of Title 58 of the Code of Laws of South Carolina (1976, as Amended) to Issue and Sell Securities

Virtual Forum
*for the purpose of affording Commissioners
the opportunity to satisfy questions regarding
the Application in this matter*

TRANSCRIPT OF
PROCEEDINGS

VOLUME 1 OF 1

COMMISSION MEMBERS PRESENT: Justin T. WILLIAMS, CHAIRMAN; Florence P. BELSER, VICE CHAIR; *and* COMMISSIONERS Carolyn L. ‘Carolee’ WILLIAMS^[A/V], Stephen M. ‘Mike’ CASTON, Thomas J. ‘Tom’ ERVIN^[A/V], Headen B. THOMAS, and Delton W. POWERS, JR.^[A/V]

ADVISOR TO COMMISSION: Josh Minges, Esq.
Legal Advisory Staff

STAFF: Jocelyn Boyd, Chief Clerk/Executive Director; Jo Anne Wessinger Hill, General Counsel; F. David Butler, Special Counsel; Virginia ‘Ginger’ Crocker, Clerk’s Staff; Jackie Thomas, Information Technology Staff; Melissa Purvis, Livestream Technician; and Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter

APPEARANCES:

SAMUEL J. WELLBORN, ESQUIRE, representing DUKE ENERGY CAROLINAS; PRESENTERS *Jordan Morgan* [Treasury Director / DEC], *Jack Sullivan* [Assistant Treasurer and Director of Corporate Finance & Investments / DEC], and *Bob Lucas* [Deputy General Counsel]

ANDREW M. BATEMAN, ESQUIRE, representing the SOUTH CAROLINA OFFICE OF REGULATORY STAFF

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

101 EXECUTIVE CENTER DRIVE
COLUMBIA, SC 29210

POST OFFICE BOX 11649
COLUMBIA, SC 29211

WWW.PSC.SC.GOV

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P R O C E E D I N G S

CHAIRMAN J. WILLIAMS: Good morning, ladies and gentlemen. Welcome to the South Carolina Public Service Commission's virtual hearing in Docket No. 2020-202-E. I will call this hearing to order.

Before we do a roll call of the Commissioners, please join me for a brief moment of silence.

[Brief pause]

Thank you.

We will take a roll-call vote, starting with – excuse me – a roll call, to see who is present and joining with us, starting with District 1, Commissioner Williams.

COMMISSIONER C. WILLIAMS^[A/V]: Commissioner Williams is present virtually.

CHAIRMAN J. WILLIAMS: Vice Chair Belser?

VICE CHAIR BELSER: Good morning.
Commissioner Belser is present in the hearing room.

CHAIRMAN J. WILLIAMS: Commissioner Caston.

COMMISSIONER CASTON: Present in the hearing room.

CHAIRMAN J. WILLIAMS: Commissioner Ervin.

COMMISSIONER ERVIN^[A/V]: Present virtually.

CHAIRMAN J. WILLIAMS: Commissioner Thomas.

1 **COMMISSIONER THOMAS:** Present in the hearing
2 room.

3 **CHAIRMAN J. WILLIAMS:** Commissioner Powers.

4 **COMMISSIONER POWERS^[A/V]:** Present virtually.

5 **CHAIRMAN J. WILLIAMS:** And Chairman Williams
6 is present here in the hearing room.

7 All right. Attorney Minges.

8 **MR. MINGES:** Thank you, Mr. Chairman.

9 Good morning, folks. This proceeding before
10 the South Carolina Public Service Commission in
11 Docket No. 2020-202-E concerns the Application of
12 Duke Energy Carolinas, LLC, for authorization to
13 issue and sell securities.

14 This matter has been scheduled for a virtual
15 forum on October 22, 2020, in the Commission's
16 hearing room and virtually.

17 Mr. Chairman, the docket's in order.

18 **CHAIRMAN J. WILLIAMS:** All right. Thank you,
19 very much.

20 Who do we have joining us from the parties
21 today?

22 **MR. WELLBORN^[A/V]:** Good morning, Mr. Chairman.
23 For the company, I'm Sam Wellborn, outside counsel
24 for Duke Energy Carolinas. Unfortunately, Katie
25 Brown had some computer issues and she won't be

1 able to join us this morning.

2 I have with me Jordan Morgan, who is the
3 Treasury Director – he'll be presenting some slides
4 this morning – as well as Jack Sullivan, who's
5 Assistant Treasurer for the company, and Bob Lucas,
6 Deputy General Counsel. Thank you, Mr. Chairman,
7 and good morning, Commissioners.

8 **CHAIRMAN J. WILLIAMS:** Thank you, Attorney
9 Wellborn.

10 ORS?

11 **MR. BATEMAN**^[A/V]: Good morning, Mr. Chairman,
12 members of the Commission. Representing ORS is
13 myself, Andrew Bateman.

14 Mr. Chairman, I did have one quick point of
15 clarification. Is this morning's virtual
16 proceeding a hearing or a forum?

17 **CHAIRMAN J. WILLIAMS:** It's a forum.

18 **MR. BATEMAN**^[A/V]: Okay. Thank you, so much, Mr.
19 Chairman.

20 **CHAIRMAN J. WILLIAMS:** All right. Is anyone
21 else joining us?

22 [No response]

23 All right. Attorney Wellborn, will you make
24 the first presentation, please?

25 **MR. WELLBORN**^[A/V]: Yes, sir, Mr. Chairman. I'm

1 going to try to share my screen; hopefully, I'll be
2 successful with that.

3 [Brief pause]

4 [Reference: DEC Presentation Slide 1]

5 Good morning, and thank you, again. We're
6 here to discuss matters addressed in Docket No.
7 2020-202-E, which is the Application of Duke Energy
8 Carolinas for authorization to issue and sell
9 securities.

10 [Reference: DEC Presentation Slide 2]

11 I've given introductions. This is the agenda
12 that we'll go through, if it pleases the
13 Commission, and then we'll be happy to answer
14 questions following the presentation this morning.

15 [Reference: DEC Presentation Slide 3]

16 I thought it would be helpful, when we
17 received the directive order related to the virtual
18 forum, to take a step back and take stock as to the
19 various statutes and regulations that come into
20 play as related to these securities applications.

21 The law at South Carolina Code Section
22 58-27-1710 provides that utilities must provide –
23 or, obtain approval from the Commission to issue
24 securities payable beyond one year of their
25 issuance.

1 The next subsection, -1710, says that the
2 application, which must be verified, has to include
3 certain information, including the amount and
4 character of the securities, their purpose, that
5 kind of information.

6 Section -1730 requires that ORS review the
7 request and provide the results of its review.

8 South Carolina Code Annotated Regulation
9 103-706 provides similar requirements.

10 And I'll confess to you, Mr. Chairman, this
11 morning, that late last night we also came across
12 103-823.1, which provides other requirements, and
13 I'll say I hope in general that the Commission
14 finds this forum and presentation useful, but we
15 would also offer to make a supplemental filing with
16 the Commission sort of laying out in a clear way
17 how we believe the Application meets the
18 requirements of -823.1. And so I'll just offer
19 that now. I'm not asking for a response,
20 necessarily, but just wanted to mention that.

21 [Reference: DEC Presentation Slide 4]

22 More recent Duke Carolinas and Duke Progress
23 dockets are listed on this slide and provided in
24 the filed materials. These are just helpful in
25 terms of background and the various types of

1 filings that might appear in these dockets.

2 [Reference: DEC Presentation Slide 5]

3 This is an exemplar docket proceeding from
4 2016 for Duke Carolinas. The Application was filed
5 in February 2016, requesting authorization for
6 \$4 billion of securities. The ORS review letter
7 was filed in February 2016. The Commission
8 approved it in March, and the company issued and
9 sold securities as early as April and filed a
10 report related to such.

11 I'm not aware of a statutory or Commission
12 requirement – maybe there is one – that the company
13 issue or file these reports, but they've done so
14 just as informational purposes with the Commission.

15 Once that capacity was drained towards the
16 middle of 2018, you'll see that in June, Duke
17 Carolinas came in for a subsequent authorization to
18 issue and sell securities.

19 I will – I'll pass things on now to Jordan
20 Morgan, again, who is the treasury director for the
21 company. He can give you sort of the inside
22 business view of how this works on their side.

23 **MR. JORDAN MORGAN [DEC]^[A/V]:** Thank you, Sam,
24 and good morning, everyone.

25 [Reference: DEC Presentation Slide 6]

1 For this Slide 6, here, it just gives a high-
2 level overview of the process Duke Energy Carolinas
3 follows with its financing application and the
4 securities it issues under that, under the
5 authority granted by the Commission.

6 So just starting at the beginning, we file a
7 long-term financing application with the Public
8 Service Commission and we also file a copy with the
9 ORS, which gives them an opportunity to review and
10 ask questions of the company from the filing.

11 Once the Commission issues its order, you
12 know, we take that order and look at their
13 requirements of the order and make sure we are
14 able – or ensure that we are able to issue our
15 securities in accordance with the order received.

16 Next, DEC will begin issuing long-term
17 financing securities, pursuant to the order. As we
18 enter new long-term financing arrangements, the
19 amount of that issuance is deducted from the
20 remaining financing authority granted from the
21 Commission, and as Sam mentioned, you know, we file
22 a notice to the Commission, each time we enter a
23 security, that gives the details of that security
24 that we entered and also states the remaining
25 financing authority that we have available to us.

1 And then, lastly, you know, once we have
2 issued under that order and we have determined that
3 the remaining financing authority is no longer
4 sufficient to ensure that the company can maintain
5 constant access to the capital markets, we'll start
6 this process over and begin working on a new
7 financing application, which we are here to talk
8 about today.

9 Sam, if you'll turn to Slide 7?

10 [Reference: DEC Presentation Slide 7]

11 So Slide 7, here, is just highlighting
12 transactions under the financing order that we
13 received – the current financing order – that we
14 received in August of 2018. You can see there in
15 the top line of the table that we received an order
16 granting us authority to issue, in aggregate, up to
17 \$4 billion in securities.

18 Since that time, we've entered 12 separate
19 financing arrangements, primarily first-mortgage
20 bonds issued in the debt capital markets, and then
21 financing and financing lease agreements. And as I
22 said, each time we've issued a security, it's
23 deducted from the authorized balance. And, you
24 know, as of late May of this year, we had
25 approximately \$375 million remaining in our

1 authorized balance, you can see in the far right
2 column there. And so that kicked off this process
3 of beginning a new application and coming to the
4 Commission.

5 So now we can turn to Slide 8, and I'll turn
6 the presentation over to our assistant treasurer,
7 Jack Sullivan.

8 **MR. JACK SULLIVAN [DEC]**^[A/V]: Thanks, Jordan.

9 [Reference: DEC Presentation Slide 8]

10 And thank you all for giving us the
11 opportunity to communicate with you today, if
12 virtually.

13 This slide is just simply a summary of the
14 request that we submitted a few months ago. You
15 know, as we routinely have, over the past several
16 cycles – about every two years – we look to the
17 Commissioners to approve our sort of next cycle of
18 financing.

19 And consistent with our 2016 and 2018
20 applications, we are seeking authorization for
21 \$4 billion for Duke Energy Carolinas. And that
22 covers the same type of securities that have been
23 included in prior, recent applications, including
24 long-term debt securities. Duke Energy Carolinas
25 accesses the debt capital markets with a, you know,

1 relatively large bond offering each year. In
2 addition to that, it occasionally accesses the
3 bank-loan market. Depending on certain
4 circumstances, it may access the tax-exempt market,
5 although that hasn't been a market it has accessed
6 in several years, but it certainly is something we
7 continue to look at. And then, as you may have
8 noticed on the prior slide, we've been quite active
9 in financing through leases, whether they be real
10 estate leases, such as the Metro Tower project or
11 other pipeline projects that involve some lease
12 financing.

13 In addition to those types of securities
14 offerings, the Application also summarizes how we
15 periodically engage in interest-rate risk-
16 management transactions, and that's really where we
17 are entering into a contract with a bank that
18 typically locks in or caps our exposure to changes
19 in interest rates, to try to minimize volatility
20 for our customers.

21 That, I believe, concludes our prepared
22 remarks, but I do know that there were a couple of
23 questions that were submitted, some topics that you
24 want to further discuss, one of which was, you
25 know, we are asking for a relatively large amount

1 of financing authority. We recognize that
2 \$4 billion is a pretty large headline number and
3 that you want some additional color as to the use
4 of proceeds; you know, what do we do with that type
5 of capital. And we also heard there was a question
6 about, you know, the timing of this authorization
7 and potential consequences if it were delayed. And
8 happy to get into that with you, as well.

9 But, you know, maybe before I go any further,
10 I'll just take a pause and see if we're heading in
11 the right direction or if you had any questions
12 based on some of our prepared remarks thus far.

13 **CHAIRMAN J. WILLIAMS:** Questions from
14 Commissioners?

15 **VICE CHAIR BELSER:** Mr. Chairman.

16 **CHAIRMAN J. WILLIAMS:** Vice Chair Belser.

17 **VICE CHAIR BELSER:** Thank you.

18 Good morning, gentlemen. Thank you for the
19 presentation this morning.

20 I would ask that you go ahead and make remarks
21 regarding any possible impacts from the delay – any
22 delay in issuing. I think that's one of the points
23 covered in Regulation – it's either in Regulation
24 103-823.1 or one of the statutes. So, if you could
25 go ahead and address that remark, and – that's it

1 at this point. Thank you, very much.

2 MR. JACK SULLIVAN [DEC]^[A/V]: Thank you. Yeah,
3 I'll be happy to take that one.

4 You know, I would say – I forget the date of
5 the actual Application. Maybe Sam or Jordan,
6 you've got that handy. I want to assume it's going
7 on –

8 MR. JORDAN MORGAN [DEC]^[A/V]: [Inaudible.]

9 MR. JACK SULLIVAN [DEC]^[A/V]: – a couple of
10 months now? Yeah, okay. So –

11 VICE CHAIR BELSER: The Application was filed
12 on August 21st.

13 MR. JACK SULLIVAN [DEC]^[A/V]: Okay. Thank you,
14 very much, Commissioner.

15 So, what we typically do – and maybe we can
16 cue back to the slide that had the 12 different
17 securities offerings that we, sort of, sold under
18 this shelf, if you will, and I think what it might
19 show is –

20 [Reference: DEC Presentation Slide 7]

21 – yeah, by – I guess by May, we found
22 ourselves sort of sub-\$400 million, which means we
23 had sort of whittled away at about 90 percent of
24 the existing order, and that's often a trigger for
25 us to go and submit a new application to, you know,

1 sort of refresh the coffers, if you will.

2 Typically, these types of transactions have
3 been approved within three or four months, or so,
4 but I guess that's not really the point. I guess
5 the point is, if it was delayed much longer from
6 where we are now, we would find ourselves in a
7 situation where we could be facing a liquidity
8 squeeze on the utility.

9 Duke Energy Carolinas is in a very heavy
10 capital-spending mode right now, as we are making
11 significant investments in decarbonizing our
12 generation fleet, and there's a significant amount
13 of capital being deployed to transition our
14 generation fleet to more renewable resources.
15 There's also a significant amount of spending going
16 on for coal-ash remediation, as I know you're
17 aware. And so, on top of that, we also have other
18 existing debt at Duke Energy Carolinas that is
19 coming due, and, obviously, satisfying that
20 principle repayment of existing indebtedness is –
21 it's pretty important. Not being able to do so
22 would put the utility in a situation of insolvency
23 and obviously all of the knock-on effects to that.

24 So, I guess, in a nutshell, our plan for Duke
25 Energy Carolinas is to be ready to access the long-

1 term capital markets as early as January of 2021.
2 We've actually routinely hit the capital markets in
3 January for our utilities, including a \$900 million
4 transaction in the first week of January for Duke
5 Energy Carolinas. So if we were to not be able to
6 do that, I think it would start putting the utility
7 in a bit of a liquidity squeeze by that point.

8 **VICE CHAIR BELSER:** Thank you for that
9 response.

10 **COMMISSIONER THOMAS:** Mr. Chairman.

11 **CHAIRMAN J. WILLIAMS:** Commissioner Thomas.

12 **COMMISSIONER THOMAS:** Thank you.

13 Thanks for the presentation and thanks for
14 being here to help us better understand what's
15 going on with this financing. Just a few questions
16 for you.

17 So, this shelf registration, I suppose, is a
18 subset of a larger shelf registration; is that
19 correct?

20 **MR. JACK SULLIVAN [DEC]^[A/V]:** That is correct.

21 **COMMISSIONER THOMAS:** So when was the
22 beginning of the larger shelf and what's the ending
23 time frame on that?

24 **MR. JACK SULLIVAN [DEC]^[A/V]:** I'd probably talk
25 to Bob Lucas to help us out with sort of our more

1 universal shelf for accessing the capital markets,
2 especially SEC-registered securities offers.

3 **MR. BOB LUCAS [DEC]^[A/V]:** Good morning,
4 everyone. I'm in-house counsel at Duke Energy
5 Carolinas and help out with our financing
6 arrangements.

7 Referring to the shelf, as an SEC shelf
8 registration statement, we typically file a large
9 shelf registration statement every three years,
10 because that's what the SEC regs require; the
11 expiration of that is a three-year cycle.

12 In our case, we file a registration statement
13 that allows for securities to be issued by Duke
14 Energy Corporation and each individual utility
15 subsidiary owned by Duke. So to that extent, it is
16 a larger shelf. The SEC, these days, doesn't
17 require you to specify an amount of securities that
18 is allowed to be issued under that shelf
19 registration; rather, it's just this timing cycle.
20 So from an SEC standpoint, the shelf registration
21 that we have is unlimited in amount.

22 But as we are talking about here, you know, we
23 get an amount authorized from a regulatory
24 commission standpoint for each of our utility
25 subsidiaries.

1 Does that answer –

2 **COMMISSIONER THOMAS:** With regard –

3 **MR. BOB LUCAS [DEC]^[A/V]:** – the question?

4 **COMMISSIONER THOMAS:** Yes. So with regard to
5 the \$4 billion that you're looking at right now, so
6 does that one have an end date on that to terminate
7 at some point, or just when it's –

8 **MR. BOB LUCAS [DEC]^[A/V]:** Yes.

9 **COMMISSIONER THOMAS:** – all gone?

10 **MR. BOB LUCAS [DEC]^[A/V]:** What we've done in the
11 years since the SEC has gone to this three-year
12 life of an SEC shelf registration system is just
13 re-filed on that three-year anniversary. And the
14 current SEC shelf that we're operating under was
15 filed in September of 2019, so we've got that one
16 active and able to be used until September of 2022,
17 at which time we'll merely replace it with an
18 almost identical filing.

19 **COMMISSIONER THOMAS:** Okay. So I see that you
20 have some discussion in connection with the
21 interest-rate-management agreements, and it looks
22 like that you have used and intend to use some
23 fairly sophisticated products. So I'm just
24 wondering when did you start doing this?

25 **MR. JACK SULLIVAN [DEC]^[A/V]:** Thank you. I

1 believe we've been involved in interest-rate
2 management at Duke Energy Carolinas for at least a
3 decade. I've been in this role for five years, and
4 I know that my predecessor periodically entered
5 into, typically, Treasury locks.

6 These derivatives try to make it sound
7 complex, but it's really not; it's just looking at
8 the underlying Treasury rate at a given time and
9 knowing that we have a securities offering within
10 the coming year or so, and knowing that the
11 Treasury rates as of the time that you can go ahead
12 and lock that in, you know, would be deemed a
13 prudent corporate finance decision. So, you know,
14 I would estimate it at least going back a decade.

15 **MR. WELLBORN^[A/V]:** And I'll say, Mr.
16 Commissioner, that, you know, in previous dockets –
17 and we can provide cites to the extent it's
18 helpful – but the Commission has previously
19 provided approval for those interest-rate-
20 management agreements.

21 **COMMISSIONER THOMAS:** Okay. So who are some
22 of the key financial institutions that you work
23 with on these types of management agreements?

24 **MR. JACK SULLIVAN [DEC]^[A/V]:** Sure. We have
25 ISDA agreements in place with probably a half dozen

1 at Duke Energy Carolinas. I don't have the full
2 list right in front of me, but they would be all
3 institutions you would be familiar with: banks
4 such as Bank of America, Wells Fargo, JP Morgan,
5 Goldman Sachs, Scotia Bank, U.S. Bank. Those are
6 some of the more common ones we look to for
7 interest-rate management.

8 **COMMISSIONER THOMAS:** Okay. And so basically
9 you've done this for a long time with some well-
10 known institutions. And so, have these always
11 played out to where they save ratepayers money, or
12 have they occasionally gone in the wrong direction?

13 **MR. JACK SULLIVAN [DEC]**^[A/V]: Yeah, it's a –
14 it's a mixed bag. You know, I would say you always
15 enter into a Treasury lock when you find that doing
16 so mitigates risk and you're perfectly fine living
17 with that rate. There are circumstances in which
18 the rate continues to grind lower and you're left
19 playing a little Monday morning quarterback that,
20 gosh, we shouldn't have hedged, and it could've
21 resulted in lower rates. But, you know, there's
22 also examples where you save yourself – it's a good
23 thing we hedged because, you know, we – doing so
24 saved interest expense.

25 But, you know, we always look at it as you

1 enter into a rate lock when living with the
2 consequences of that is good for the customer. I'm
3 pleased to report that, as of today, Duke Energy
4 Carolinas has \$11.4 billion of outstanding long-
5 term debt, and its weighted average coupon – this
6 isn't going to directly link up with anything in
7 prior rate cases because it moves around every time
8 you calculate it, and I'm just looking at long-term
9 debt, bonds, not bank loans and other forms of
10 financing. But Duke Energy Carolinas has a
11 weighted average coupon of just over 4 percent. So
12 regardless of whether or not there have been
13 interest-rate hedges that have worked in favor or
14 you may have left a couple of basis points on the
15 table, you know, we've got one of the lowest costs
16 of capital for Duke Energy Carolinas on the long-
17 term debt side. Given that interest rates now have
18 ground down to an even lower level, you know, we
19 may look to de-risk and lock in some of those
20 attractive rates in the coming year or so.

21 **COMMISSIONER THOMAS:** Okay. So it sounds
22 like, with the current low interest rates, you
23 think there's a real opportunity to get into more
24 of this; is that correct?

25 **MR. JACK SULLIVAN [DEC]^[A/V]:** I wouldn't

1 necessarily say get into more of it, if what you
2 meant there was doing it more frequently, no, or
3 doing it in larger size, probably not. You know,
4 for – what we traditionally do is we never hedge
5 more than 50 percent of what we intend to raise, so
6 that, you know, you haven't gotten into a situation
7 where you're trying to hedge more than you
8 potentially could end up issuing. So, you know, we
9 typically look at what amount of capital we're
10 going to raise and, if the forward curve suggests
11 that there is some potential risk or volatility, we
12 would look to de-risk a portion of that. But we
13 wouldn't do anything to – the current rate
14 environment isn't likely to change, sort of, our
15 interest-rate-management policies.

16 **COMMISSIONER THOMAS:** Okay. I see, per your
17 Exhibit H, that you have about \$2.3 billion
18 maturing in the period 2020 through 2023. Do you
19 expect to use some of this tranche to refinance
20 those at lower rates? Is that part of what's going
21 on here?

22 **MR. JACK SULLIVAN [DEC]^[A/V]:** Absolutely.
23 That's one of the key drivers of – I mean, one of
24 the things – probably the biggest component of
25 seeking financing authority is to refinance

1 maturing debt. So for every dollar of debt that
2 matures, in order to preserve our regulated capital
3 structure, we need to refinance maturing debt into
4 new debt. And, of course, in this lower-rate
5 environment, we're going to be saying goodbye to
6 higher-cost debt and refinancing it with lower-cost
7 debt.

8 **COMMISSIONER THOMAS:** Okay. And so are you
9 expecting to refinance at maturity or before
10 maturity?

11 **MR. JACK SULLIVAN [DEC]^[A/V]:** Most of the debt
12 that is maturing in the next several years don't
13 allow you to prepay without a penalty, so what we
14 typically do is we refinance the maturing debt
15 within about a three-month period of the maturing
16 debt's maturity date.

17 **COMMISSIONER THOMAS:** All right. And it looks
18 like you expect to spend approximately \$16.2
19 billion in the period 2020 through 2024 for
20 electric plant and other capital projects. So,
21 obviously, this shelf will not be enough to cover
22 that. Any thoughts on how that gap will be
23 bridged?

24 **MR. JACK SULLIVAN [DEC]^[A/V]:** Yeah, you know,
25 the 2016 \$4 billion financing authority was

1 exhausted – well, not exactly exhausted, but we
2 whittled that down to the point where we were back
3 in front of this Commission by 2018. And, of
4 course, as we reviewed in the prior slide, the 2018
5 authorization got us to mid-2020. I would expect
6 that we would be back in front of you within a two-
7 to-three-year period, you know, giving you a status
8 report on what all we – you know, how the prior
9 authorization was sort of whittled away and
10 proposing a new financing authority at that time.

11 **COMMISSIONER THOMAS:** Okay. And so I assume
12 that, with that \$16.2 billion, that some of that
13 will be invested in North Carolina and some in
14 South Carolina, and obviously those investments
15 appear like they will be funded at lower interest
16 rates. So how is that benefit allocated to South
17 Carolina ratepayers?

18 **MR. JACK SULLIVAN [DEC]^[A/V]:** Sure. I mean,
19 each time we refinance higher-cost debt with lower-
20 cost debt, that sort of brings down our weighted
21 average cost of debt. Therefore, each subsequent
22 time we come in for a rate case to revisit the
23 revenue requirements, that lower cost of capital
24 will influence the rate-setting process to the
25 benefit of our customers.

1 **COMMISSIONER THOMAS:** But there's no real
2 specific tying of a project to an interest rate
3 that may impact South Carolina instead of North
4 Carolina?

5 **MR. JACK SULLIVAN [DEC]^[A/V]:** Correct.

6 **COMMISSIONER THOMAS:** Okay. And I think that
7 you alluded a few minutes ago that you have – that
8 there are make-whole provisions with regards to
9 most of this debt, so it's probably a bit
10 problematic to retire early. Would that be
11 correct?

12 **MR. JACK SULLIVAN [DEC]^[A/V]:** Yes, sir,
13 particularly in this low-interest-rate environment.
14 It sounds like you know a thing or two about make-
15 whole premiums, and the present value of those
16 discounted cash flows would be discounted at a
17 considerably low interest rate and, as a result,
18 the premiums to pay to get out of those loans or
19 bonds early would be a pretty hefty premium.

20 You know, if we had debt that was priced at 7,
21 8, 9 percent, we may look at ripping the proverbial
22 Band-Aid and paying up for that premium; but given
23 that our weighted average cost of debt for Duke
24 Energy Carolinas is already pretty low, at just
25 over 4 percent, we'll just naturally let the debt

1 continue to mature and, as you would expect, every
2 year we face maturities with the goal of
3 refinancing maturing debt over the next several
4 years at lower rates.

5 **COMMISSIONER THOMAS:** Okay. Well, I
6 appreciate that. Appreciate you helping me walk
7 through this a little bit, and thanks for being
8 here and helping us out. That's all I have.

9 **MR. JACK SULLIVAN [DEC]^[A/V]:** Thank you.

10 **CHAIRMAN J. WILLIAMS:** Thank you, Commissioner
11 Thomas.

12 Other Commissioner questions?

13 **COMMISSIONER CASTON:** Chair Williams?

14 **CHAIRMAN J. WILLIAMS:** Commissioner Caston.

15 **COMMISSIONER CASTON:** Gentlemen, I too want to
16 thank you for the presentation. And, earlier, you
17 had said that whether ratepayers would benefit or
18 not was sort of a mixed bag, traditionally. Was
19 there any kind of – any study or benefit cost or
20 whatever, on this particular issuance, that would
21 indicate whether this would be positive toward
22 ratepayers, negative, neutral?

23 **MR. JACK SULLIVAN [DEC]^[A/V]:** If you are
24 referring to our ability going forward under this
25 Application that we're seeking, I would feel fairly

1 confident that the debt that we will be issuing –
2 the securities that we will be issuing under this
3 current Application would allow us to refinance
4 existing debt at a lower rate, which would accrue
5 to the benefit of North and South Carolina
6 customers.

7 **COMMISSIONER CASTON:** Yes, thank you; that is
8 what I was asking. I appreciate that. And I know
9 you've pretty much answered this, relative to the
10 capital projects that you have planned. Relative
11 to this particular issuance, is there a certain
12 percentage? How much of this would go specifically
13 to capital construction, and what are – are those
14 construction projects specific over that period of
15 time? Do you have an idea of what those project
16 would be?

17 **MR. JACK SULLIVAN [DEC]^[A/V]:** Yes, sir.

18 **COMMISSIONER CASTON:** You had mentioned
19 de-carbon projects, but, I mean, what is that?

20 **MR. JACK SULLIVAN [DEC]^[A/V]:** Yes, sir. Yeah,
21 we have a capital expenditure schedule for each of
22 our utilities, and we typically break them out into
23 a couple of different categories. Specific to your
24 question, the components for Duke Energy capital –
25 Duke Energy Carolinas – would involve, let's say

1 for example, 2021, spending of approximately \$2.8
2 billion on –

3 **MR. BATEMAN**^[A/V]: Mr. Chairman? I'm sorry, Mr.
4 Sullivan. I hate to interrupt. But, Mr. Chairman,
5 information is being, you know, collected and
6 disseminated in this forum; it's outside of a
7 formal proceeding. ORS would like to raise not a
8 concern about the information, necessarily, but
9 just about this process. Additionally, ORS is a
10 bit unsure as to the nature and purpose of the
11 forum.

12 **CHAIRMAN J. WILLIAMS**: Okay. So did you just
13 want to put that on the record or do you have a
14 specific objection?

15 **MR. BATEMAN**^[A/V]: Well, I would like to note the
16 concern, certainly, Mr. Chairman. I would also
17 like to note, just, we're not sure about the nature
18 and purpose of the forum. I wasn't sure if
19 clarification could be provided?

20 **CHAIRMAN J. WILLIAMS**: Well, the company
21 presented an Application or request for
22 approximately \$4 billion in capital, to be able to
23 issue securities, and the Commission had questions
24 about that. And so the request was made from the
25 Commission for the company to come in and give a

1 presentation, to give more detail on their request.

2 MR. BATEMAN^[A/V]: Okay. Mr. Chairman, one
3 concern is that it appears, in some form or
4 fashion, to be a bit like an ex parte communication
5 but not necessarily bound by the parameters set
6 forth in 58-3-260. And so ORS would like to raise
7 just a concern about the nature and purpose of the
8 forum, itself. Thank you, Mr. Chairman.

9 MR. WELLBORN^[A/V]: I'll offer, to the extent it
10 helps allay issues or concerns, we'd be happy to
11 file an informational report with the Commission in
12 the docket, particularly as related – as I
13 mentioned before – to -823.1.

14 I was also getting a little nervous, I'll say,
15 about potential overlap in terms of long-term
16 projects and the pending IRP dockets, and I was
17 sort of close to pushing the button myself. So I
18 don't know if that helps this conversation or not,
19 but like I said, to the extent we're edging into
20 project planning and those kinds of issues, you
21 know, I might have a reservation as related to the
22 pending contested IRP dockets. And, again, you
23 know, we're happy to file a report as related to
24 -823.1 that might help, you know, answer some of
25 these questions, if that helps at all.

1 **CHAIRMAN J. WILLIAMS:** Well, I definitely
2 appreciate both lawyers paying close attention to
3 what's being discussed here today, to make sure we
4 are within the bounds of the rules. With that
5 said, has any question been asked or answer given
6 that has crossed the line?

7 **MR. WELLBORN^[A/V]:** Not from my perspective as
8 related to the IRP proceedings, but, you know, I
9 would make that caution, I guess, that we have to
10 be a little bit careful talking about long-term
11 project planning, given those pending dockets.

12 **MR. BATEMAN^[A/V]:** And, Mr. Chairman, I would
13 just once again echo the concern about information
14 being collected outside of a formal proceeding, and
15 the purpose for which it's intended to be used, as
16 well as just the – the – you know, I'm just unsure
17 about the nature and purpose, really, of the forum.
18 You know, with an allowable ex parte proceeding,
19 there are a number of parameters and guardrails
20 intended to ensure that the APA is complied with,
21 and the other statutory – and other statutory
22 provisions.

23 And so, Mr. Chairman, I don't know that I have
24 anything specific to point to, but I would echo the
25 concern about not the information being presented,

1 itself, but rather the purpose for which the
2 Commission is intending to use that information, as
3 well as just some unsurity about the nature and
4 purpose of the forum. Thank you.

5 **COMMISSIONER CASTON:** Mr. Chairman, if I may
6 elaborate?

7 **CHAIRMAN J. WILLIAMS:** Sure, Commissioner
8 Caston.

9 **COMMISSIONER CASTON:** My purpose is solely
10 just to understand better. I don't want to get
11 outside the bounds of anything I'm not supposed to,
12 other than not – I've reviewed the presentation.
13 I've listened, and it's triggered thoughts that I'm
14 just simply trying to understand better.

15 That said, may I ask another question?

16 **CHAIRMAN J. WILLIAMS:** Sure, Commissioner
17 Caston.

18 And so, Attorney Bateman, Attorney Wellborn,
19 this virtual hearing is not scripted, so if you
20 hear a question or answer that you believe violates
21 the rules, I'm asking for you to make an objection
22 so that – and request for it to be stricken from
23 the record.

24 **MR. BATEMAN^[A/V]:** Well, Mr. Chairman, one point
25 of clarification, again, is to assure that this is

1 not a hearing but rather a forum. I've heard it
2 referenced as a hearing a couple of different
3 times, and I think that is causing a bit of
4 confusion on our end.

5 **CHAIRMAN J. WILLIAMS:** And I'm glad you
6 pointed that out. It was just pointed out to me
7 I'm saying "hearing." It's a virtual forum.

8 **MR. BATEMAN^[A/V]:** I understand the direction,
9 Mr. Chairman, and I will – I'll keep that in mind
10 as we go forward.

11 **CHAIRMAN J. WILLIAMS:** It was just pointed out
12 to me that you all may not know that this is being
13 recorded and there is a transcript available. I
14 don't know if that makes any difference to you, or
15 not.

16 **MR. BATEMAN^[A/V]:** Mr. Chairman, are the
17 Commissioners planning on using the information
18 gained in this forum on which to base their
19 decision?

20 **CHAIRMAN J. WILLIAMS:** No.

21 **MR. BATEMAN^[A/V]:** Okay. Thank you, Mr.
22 Chairman.

23 **COMMISSIONER CASTON:** May I ask the question?

24 **CHAIRMAN J. WILLIAMS:** Go ahead.

25 **COMMISSIONER CASTON:** Looking at the legal and

1 regulatory background slide, the last item – and I
2 was just trying to understand this, because I’m not
3 an attorney in the group. So, any attorneys here,
4 make sure that I’m doing this right, because I
5 don’t want to do it wrong. And I apologize if I’ve
6 done anything that remotely looks that way. And I
7 think the presentation has been very good. The
8 responses have been good. Thank you, very much,
9 all of you.

10 But it refers to Regulation 103-706 provides
11 analog requirements, and I was trying to understand
12 really what that was and how that related to this.
13 Just out of curiosity. I’m trying to educate
14 myself. So can you elaborate on that just for my
15 edification?

16 **MR. WELLBORN^[A/V]:** Yes, sir. And this is Sam
17 Wellborn. So, there are requirements in the Code –
18 that 58-27-1710 section – that lists a set of items
19 or information that the utility must provide the
20 Commission as part of its securities application.
21 Those requirements are essentially repeated in
22 103-706, within the Commission’s regulations. So,
23 for example, the amount and character of the
24 securities, the purpose for which they’re to be
25 issued, those kinds of things, those requirements

1 are in 103-706.

2 **COMMISSIONER CASTON:** And as I understand it,
3 -706 relates to water or water utilities, but it's
4 applicable because of the process? Am I
5 understanding that part correctly?

6 **MR. WELLBORN^[A/V]:** That's right, Commissioner.
7 There are comparable requirements in -706. But I
8 had also mentioned before -823.1 –

9 **COMMISSIONER CASTON:** Yes, sir.

10 **MR. WELLBORN^[A/V]:** – in our offer of providing
11 supplemental information related to that
12 regulation.

13 **COMMISSIONER CASTON:** All right. Thank you,
14 very much.

15 **MR. WELLBORN^[A/V]:** Thank you.

16 **CHAIRMAN J. WILLIAMS:** All right. Any other
17 questions for the panel from the Commissioners?

18 [No response]

19 Okay. Any further comments from the parties?

20 **MR. BATEMAN^[A/V]:** No additional comments from
21 ORS, Mr. Chairman.

22 **CHAIRMAN J. WILLIAMS:** Okay. Thank you,
23 Attorney Bateman.

24 Attorney Wellborn?

25 **MR. WELLBORN^[A/V]:** Nothing from me, Mr.

1 Chairman. Thank you. I appreciate all the time
2 this morning, I really do.

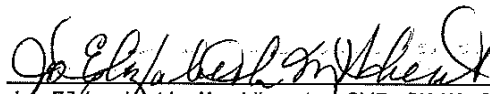
3 CHAIRMAN J. WILLIAMS: Okay. Everyone that
4 joined us today for this virtual conference – it's
5 not a hearing – forum, thank you very much, and we
6 appreciate your time.

7 [WHEREUPON, at 10:49 a.m., the
8 proceedings in the above-entitled matter
9 were adjourned.]

C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, Notary Public in and for the State of South Carolina, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of the proceedings had in the Virtual Forum held in the above-captioned matter before the PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA;

IN WITNESS WHEREOF, I have hereunto set my hand, on this the 25TH day of October, 2020.


Jo Elizabeth M. Wheat, CVR-CM/M-GNSC
Hearings Reporter, PSC/SC
My Commission Expires: January 27, 2021.